



December 25, 2024

To whom it may concern

Company	MARUBUN CORPORATION
Representative	Toru Iino CEO and Representative Director (Securities Code:7537 Prime Market)
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**About the Action to Implement Management that is Conscious of
Cost of Capital and Stock Price (Updated)**

At the Board of Directors meeting held today, the Company analyzed and evaluated the current status of "About the Action to Implement Management that is Conscious of Cost of Capital and Stock Price," which was announced on November 7, 2023, and provided an update on the progress of its initiatives. Please refer to the attached document for an overview of the update.

Roadmap toward the Sustainable Growth of Marubun Corporate Value (Updated for FY2024)

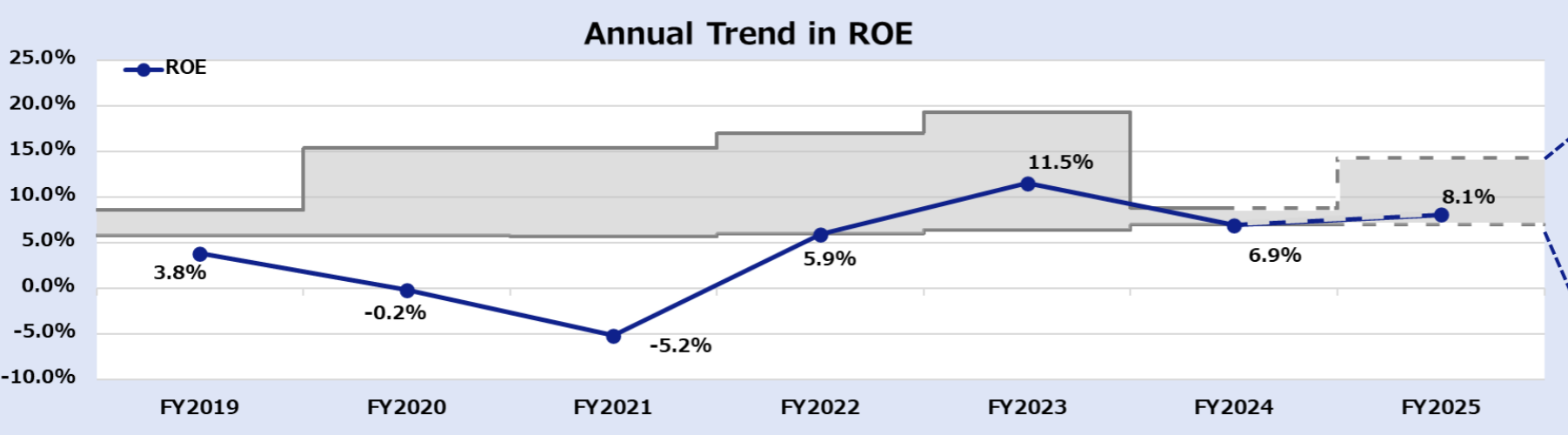
December 2024



Current Status and Management Goals / Areas to Address

▶ Due to a decrease in profit for the fiscal year ended on March 31, 2024, the ROE (Return On Equity) has fallen to 6.9%. The assumed ROE value, which reflects the latest earnings forecast for the fiscal year ending on March 31, 2025, is expected to be within the range of the company's assumed cost of equity. However, if the stock price should remain at the current level* as at the forthcoming fiscal year end, PBR would fall to around 0.6 times. An increase in the expected cost of equity is also indicated, reinforcing the importance of addressing future

*1,121 yen – Closing price on November 1, 2024



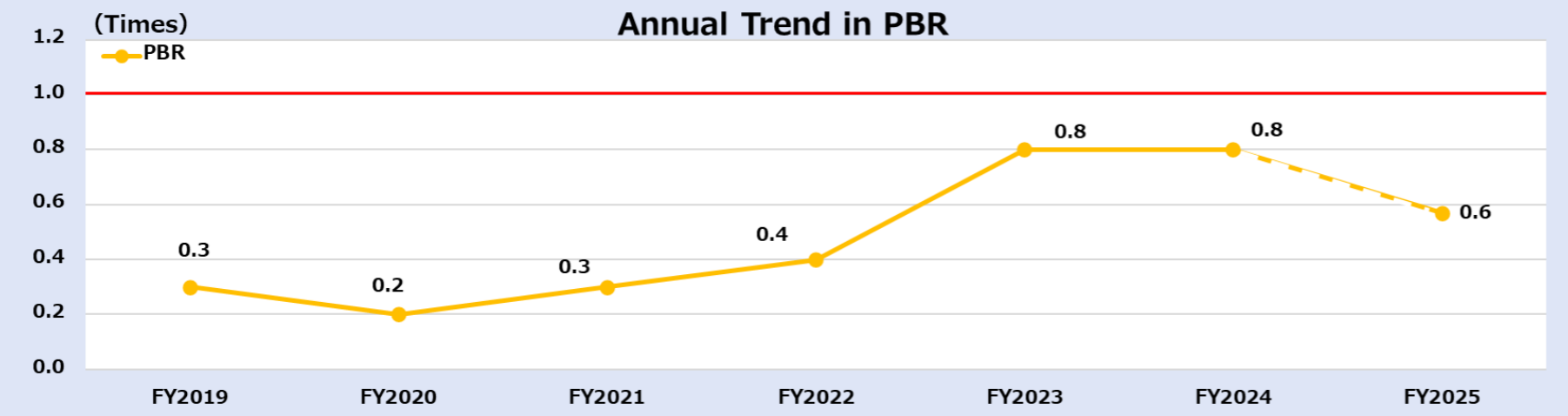
CoE* (reference value) based on market valuation (stock price) (market-implied cost of capital)
Approx. 8.6% – 19.2%

*calculated as ROE/PBR, where PBR = "two-point average stock price between fiscal year beginning and end" / "fiscal-year end net assets per share" (Note that the dotted line in the diagram on the left represents the calculated forecast values, which are based on reasonable forecast values for each indicator)

Our estimated range of cost of shareholders' equity (CoE)

CoE based on CAPM*
Approx. 5.7% – 6.9%

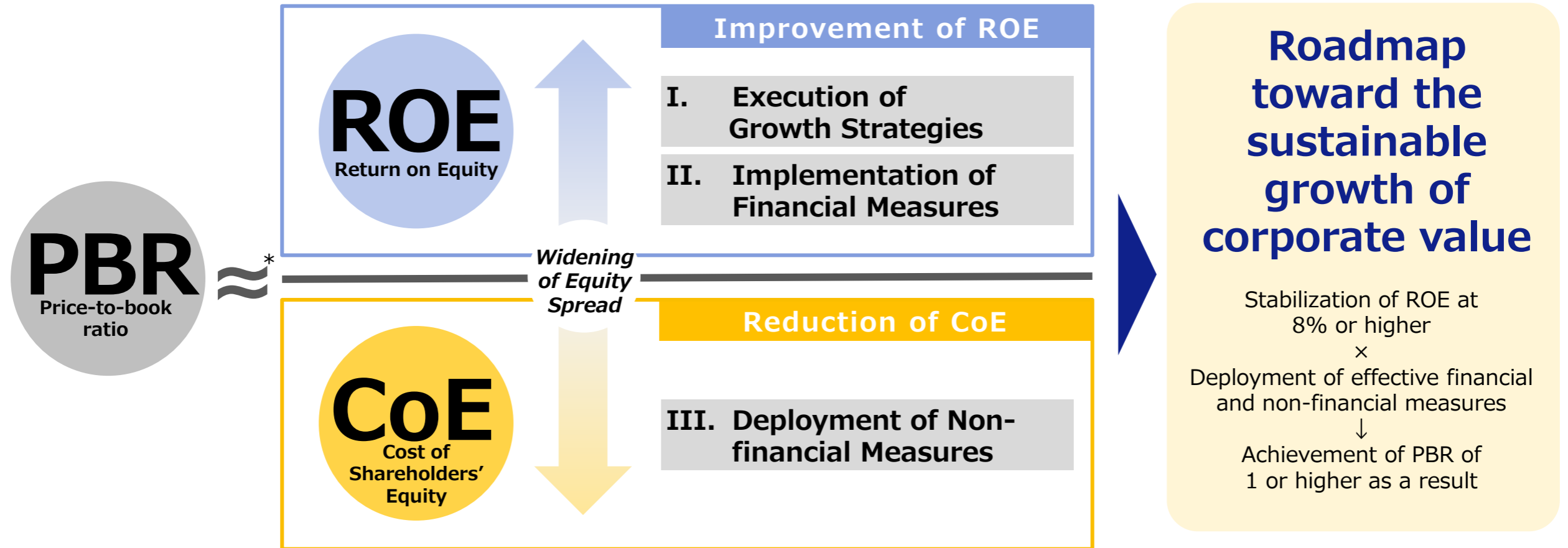
* Calculated based on our criteria and standards, referring to our historical beta calculated on data over last 5 years.



Management Goals / Areas to Address
(1) Stabilize ROE at 8% or higher
(2) Lower expected CoE
(3) Consequently achieve
PBR x 1.0 or above

Initiatives for Sustainable Enhancement of Corporate Value

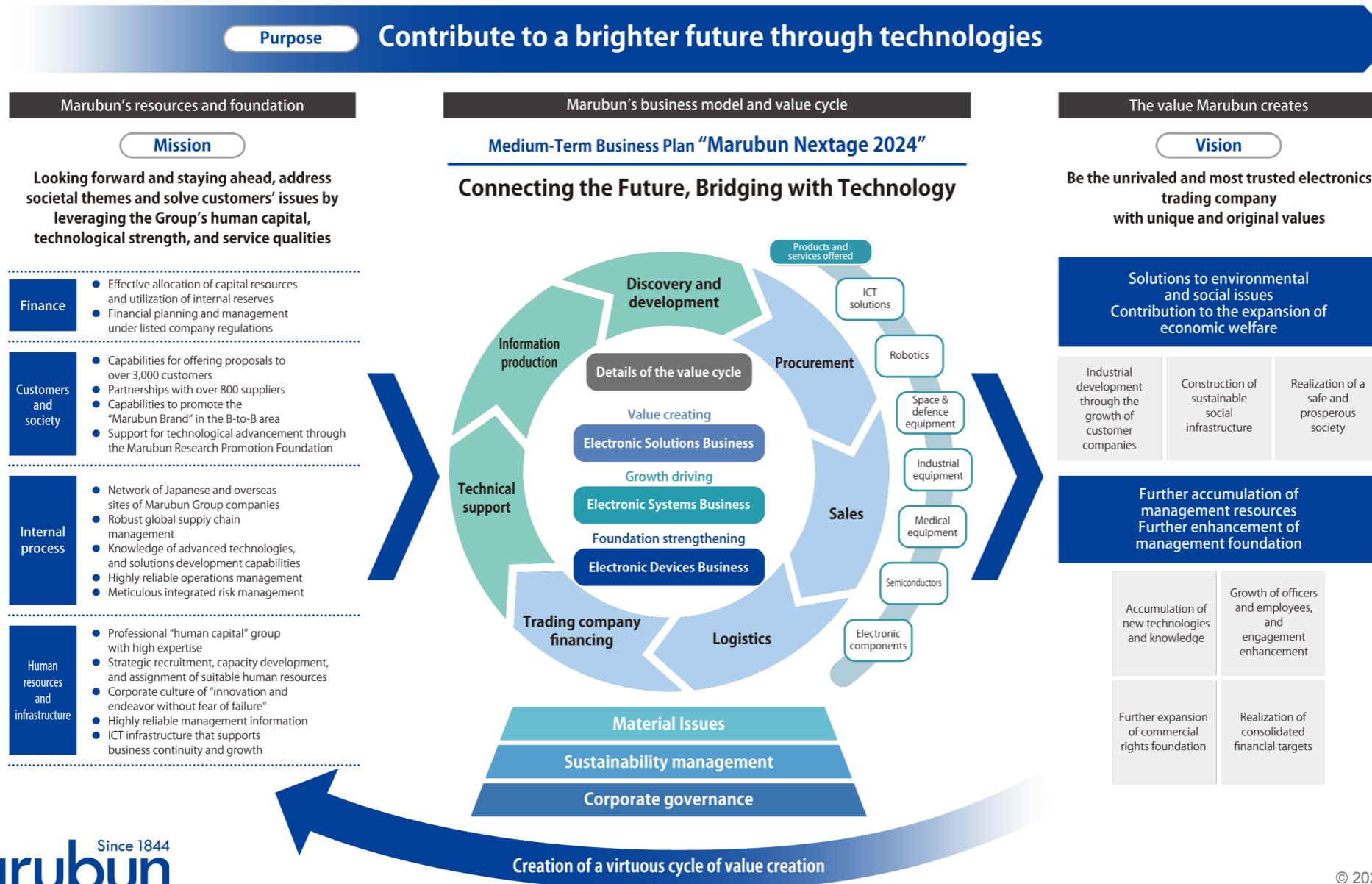
- ▶ Effectively circulate Marubun Group's Value Creation Model and the Value Cycle at its core (see pages 3–5)
- ▶ Promote the three strategic measures (I, II, and III) and aim to stably secure an ROE of 8.0% or higher and achieve a PBR of 1.0 or higher (see pages 6–18)
- ▶ Steadily complete the current Medium-Term Business Plan (MTBP) and begin formulating the next MTBP (FY2025–FY2027) for further growth



* Approximate formula based on the conservative assumptions that future profit growth (g) is zero and our immediate ROE target is to maintain a certain fixed level.

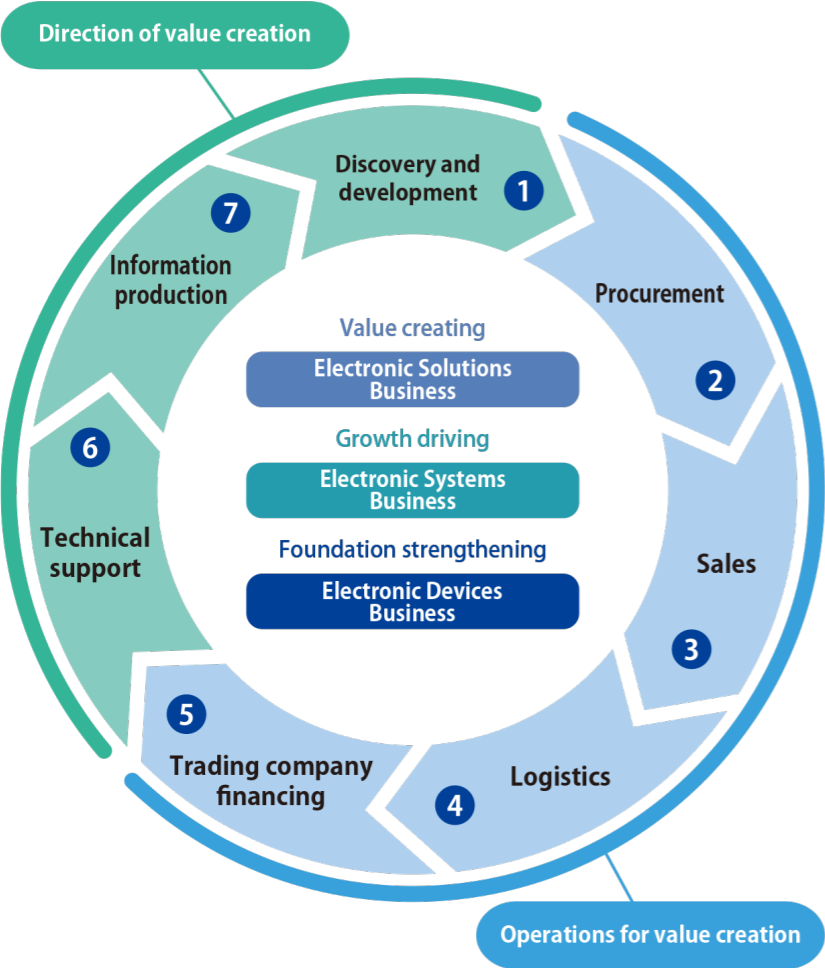
The Marubun Group's Value Creation Model

► Our policy is to achieve a sustainable cycle to improve business value through our unique Value Creation Model.



The Marubun Group's Value Cycle

▶ Achieve sustainable growth by accelerating the rotation of the value cycle, which is the engine of our Value Creation Model



1 Discovery and development

With discernment grounded in the spirit of looking forward and staying ahead that has been passed down in our DNA since the founding of the Company, we discover products, technologies, and services on the cutting edge and quickly make them available to customers. We also engage in business acquisitions, venture investments, and other business investments that connect to the further advance of our business.

2 Procurement

Handling products and services from over 800 suppliers and working under strategic partnerships, we perform timely procurement of the products that our customers seek from around the world. We are working to expand and enhance our sources of procurement to meet ever-changing diverse needs.

3 Sales

We sell high-value-added products and services, always staying close to our customers in the spirit of "Customers First." We provide on-site support for component procurement and production migration through a global sales network with our partner in the U.S.

4 Logistics

Through an advanced logistics management system, we have established an efficient, accurate delivery structure. We ensure product safety through proper management of contained chemical substances, and achieve rapid import/export operations and just-in-time delivery as a certified "specified exporter."

5 Trading company financing

Through the trust and the fundraising capabilities we have built up, we engage in transactions based on inter-company credit, acting at the intersection of suppliers and customers. We reduce financial risks through meticulous management of funding and credit, and ensure business continuity by maintaining an appropriate level of equity capital.

6 Technical support

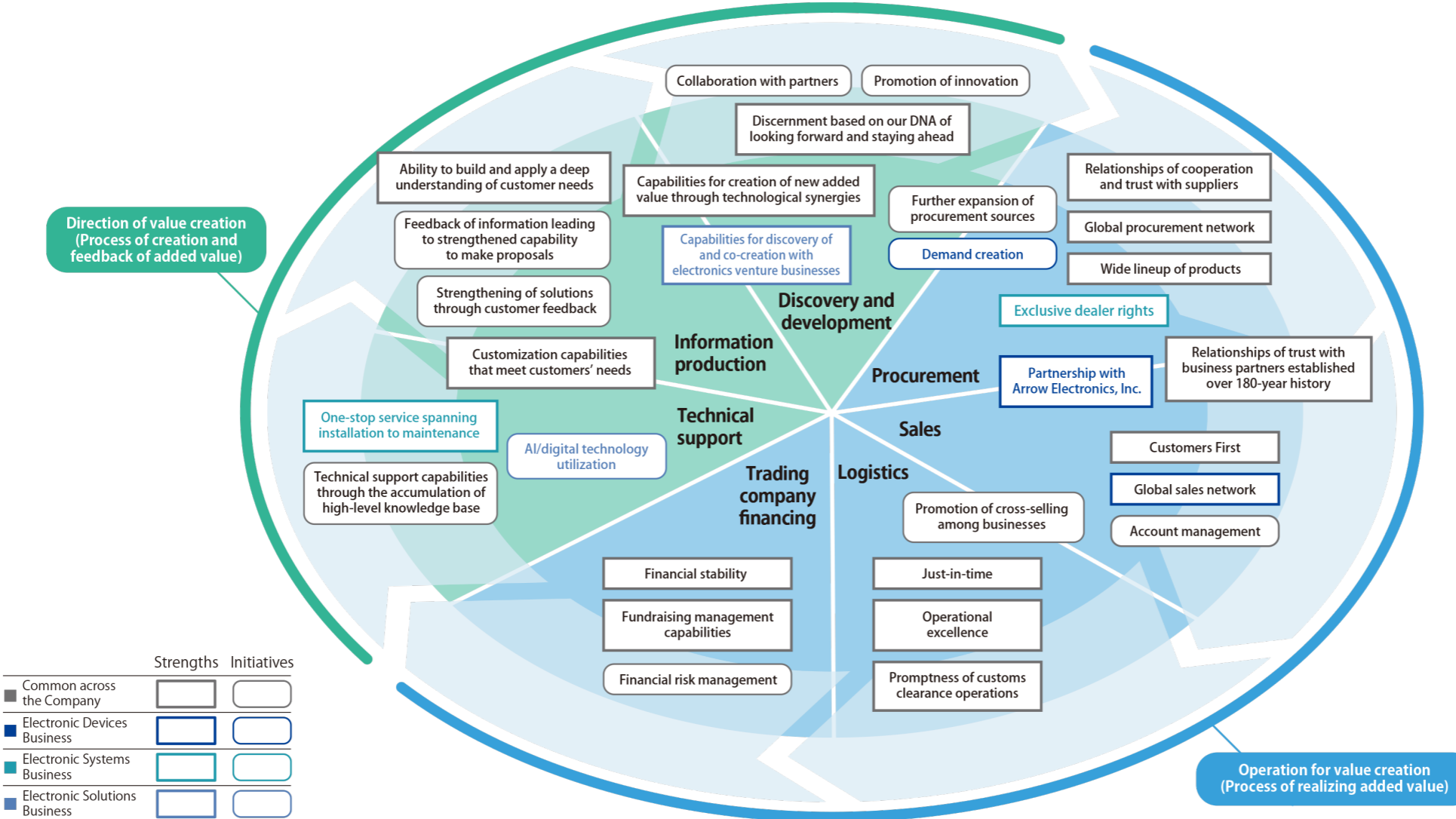
With a specialized technical service department and engineering service company, we offer one-stop services that cover introduction, installation, and maintenance of equipment. We propose equipment, parts, and software combined in optimal systems that meet customers' needs.

7 Information production

While providing customers with up-to-date technical information, we draw on information obtained through our sales activities and engineering services to analyze and assess the challenges and the foreseeable needs of society and customers, and connect this to the creation of new solutions and business models.

The Marubun Group's Strengths and Initiatives in the Value Cycle

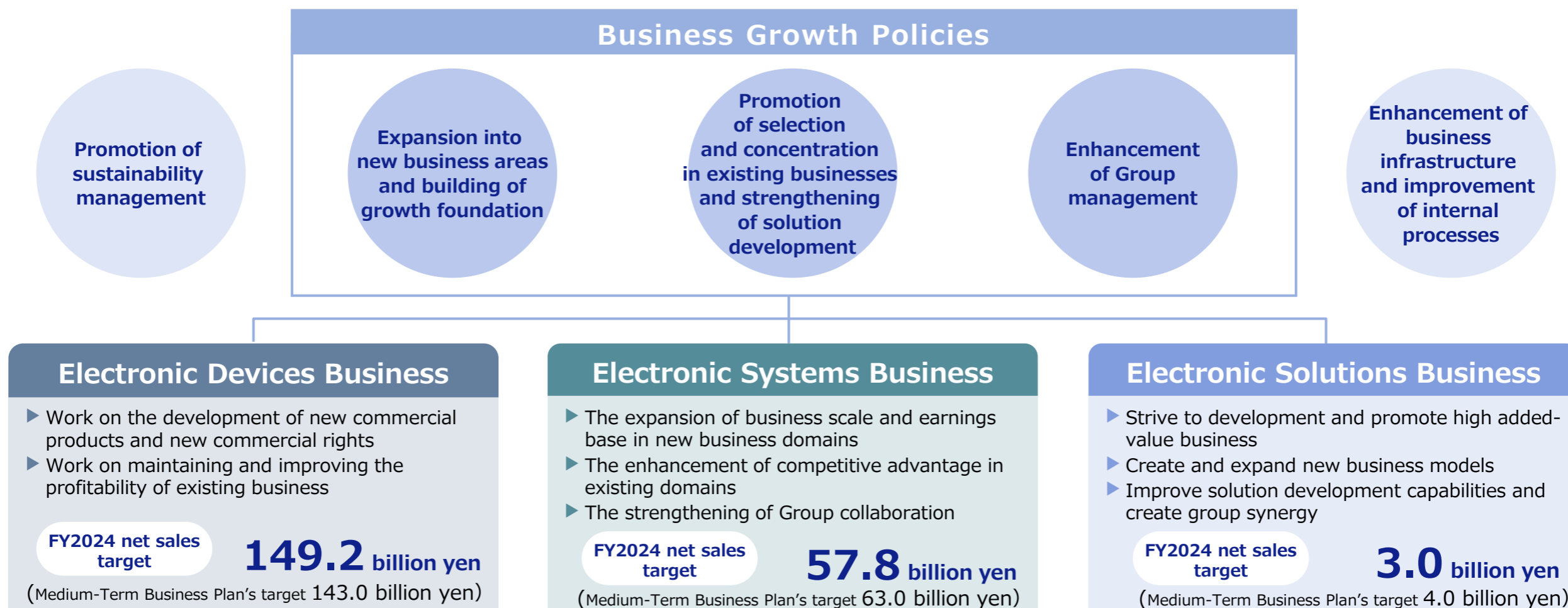
► Create a virtuous value cycle in a concrete and effective way through our Group's strengths and initiatives



I-(0) ① Growth Strategies

- ▶ Implement initiatives relating to the three Business Growth Policies included in the Basic Policy of the Medium-Term Business Plan, “Marubun Nextage 2024”.

Basic Policy of Marubun Nextage 2024

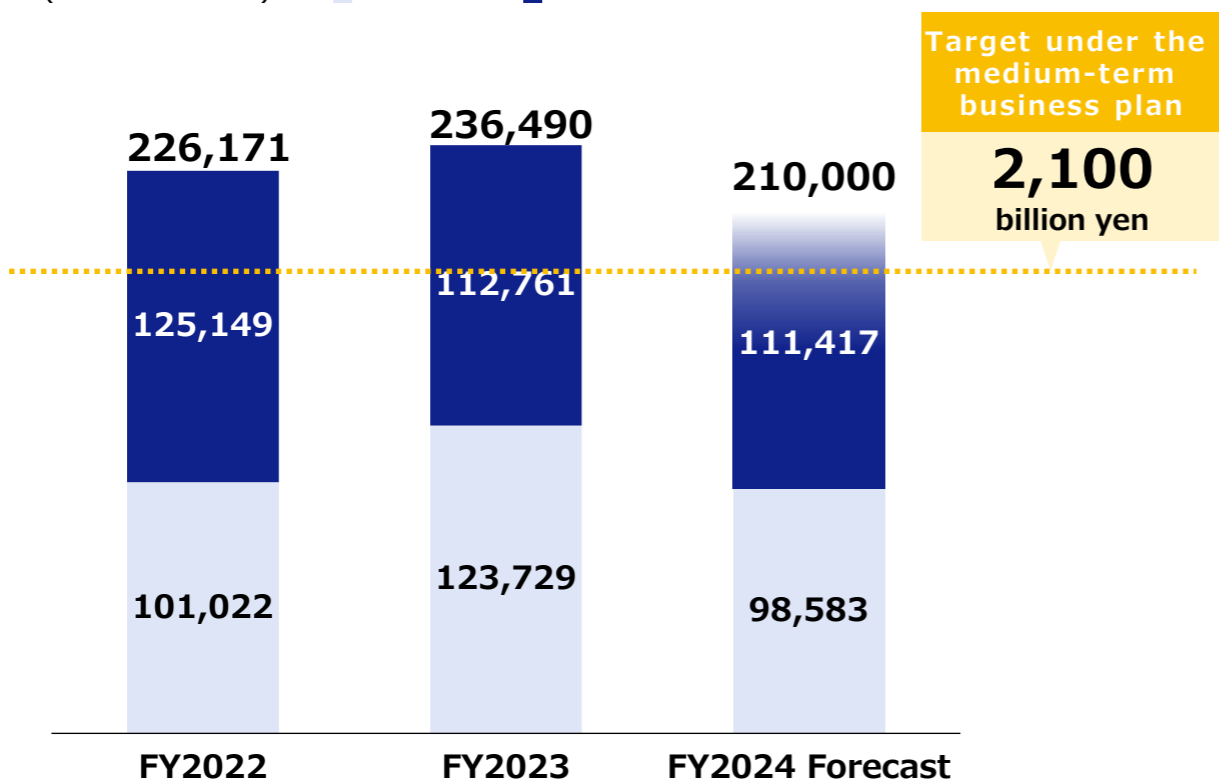


I-(0) ② Growth Strategies: Progress and Outlook for FY2024

- ▶ The sales target set in the medium-term business plan is not expected to be achieved in the Electronic Systems Business and Electronic Solutions Business, but it is expected to be achieved overall because the Electronic Devices Business will make up for these shortfalls.
- ▶ Despite the significant impact of rising dollar interest rates, the target for ordinary income is also expected to be achieved. (As of 2Q FY2024)

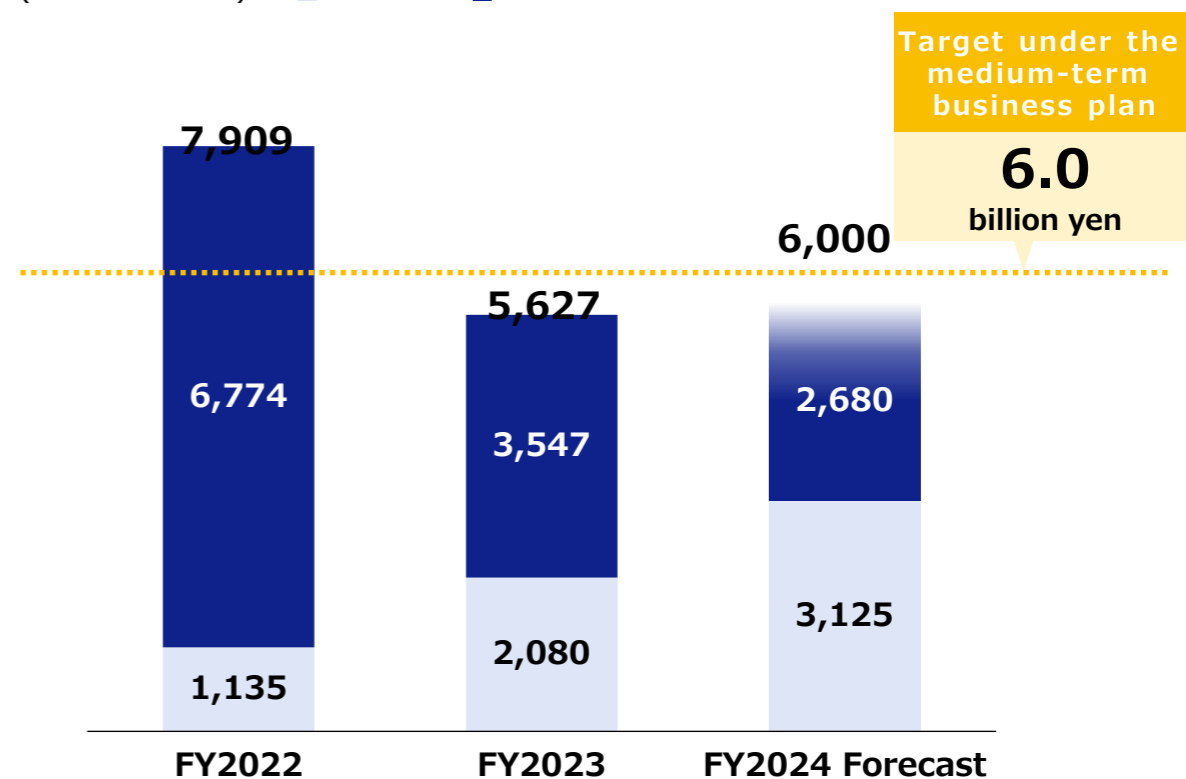
Achievement in net sales

(Millions of Yen) ■ First half ■ Second half



Achievement in ordinary income

(Millions of Yen) ■ First half ■ Second half



I-(1) Growth Strategies: Initiatives for Electronic Devices Business

◆ Electronic Devices Business: Distribution business for semiconductors and electronic components

Growth Strategies

- Position as "foundation strengthening business" and seek to maintain and expand global business operations through the development of highly value-added products and the conversion of the product mix
- Strive for continuous improvement in productivity and efficiency and pursue low-cost operations

Perception of Business Environment

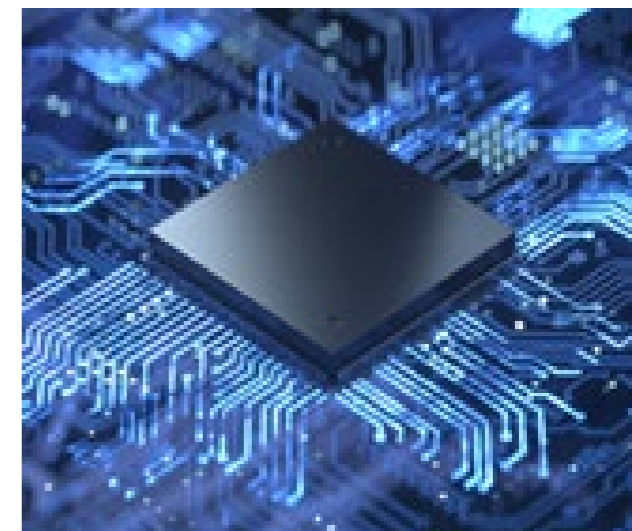
- ▶ Although the semiconductor market has achieved higher growth than anticipated at the time the Medium-Term Business Plan was formulated, the market has recently been in an inventory adjustment phase
- ▶ However, in the medium and long term, semiconductors for automotive and industrial equipment applications remain growing business domain against the backdrop of the shift to EVs, DX and the greening of industry.

Progress on the MTBP

- ▶ Transactions involving products from suppliers such as Nuvoton Technology and MPS, which have been added to enhance the product lineup in recent years, are expanding and profitability is also improving
- ▶ Continuing to discover high-value-added suppliers with the potential for further growth

Challenges and Countermeasures

- ▶ Deteriorating profitability as a result of the rising US interest rates and the strengthening of the US dollar
 - Focusing on improving capital and funding efficiency, including reducing inventories
- ▶ Realization of even lower cost operations
 - Optimizing the organization, promoting proactive recruitment, and strengthening human resources to lead the next generation
 - Increasing efficiency of back-office operations through promotion of the use of RPA



I-(2) Growth Strategies: Initiatives for Electronic Systems Business

◆ Electronic Systems Business: Sales and maintenance service business for electronic devices and systems

Growth Strategies

- Position as "growth driving business" and seek to expand revenue base in new business domains and new markets in addition to sustainable growth in existing businesses
- Demonstrate group synergy through stronger collaboration among consolidated companies and seek sustainable improvements in customer service quality level

Perception of Business Environment

- ▶ Although capital investment by companies involved in manufacturing industrial equipment is currently stagnant, demand is expected to increase in the medium term.
- ▶ The space and defense sector is expected to drive growth in space utilization, exploration, and transportation supported by the backdrop of increased national budgets.

Progress on the MTBP

- ▶ Expand the handling of failure analysis equipment to support semiconductor yield improvements and miniaturization in the industrial equipment sector
- ▶ In the laser equipment sector, promote the expansion of new product lineups and technical proposals

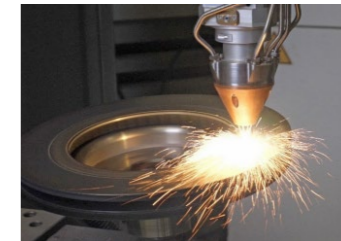
Challenges and Countermeasures

- ▶ Further strengthen competitive advantage in existing domains
 - Expansion of high-end products, our strength, to stimulate new demand
- ▶ Strengthen collaboration between consolidated companies to address customers' issues

Topics

Launch of proposals for high-speed laser cladding

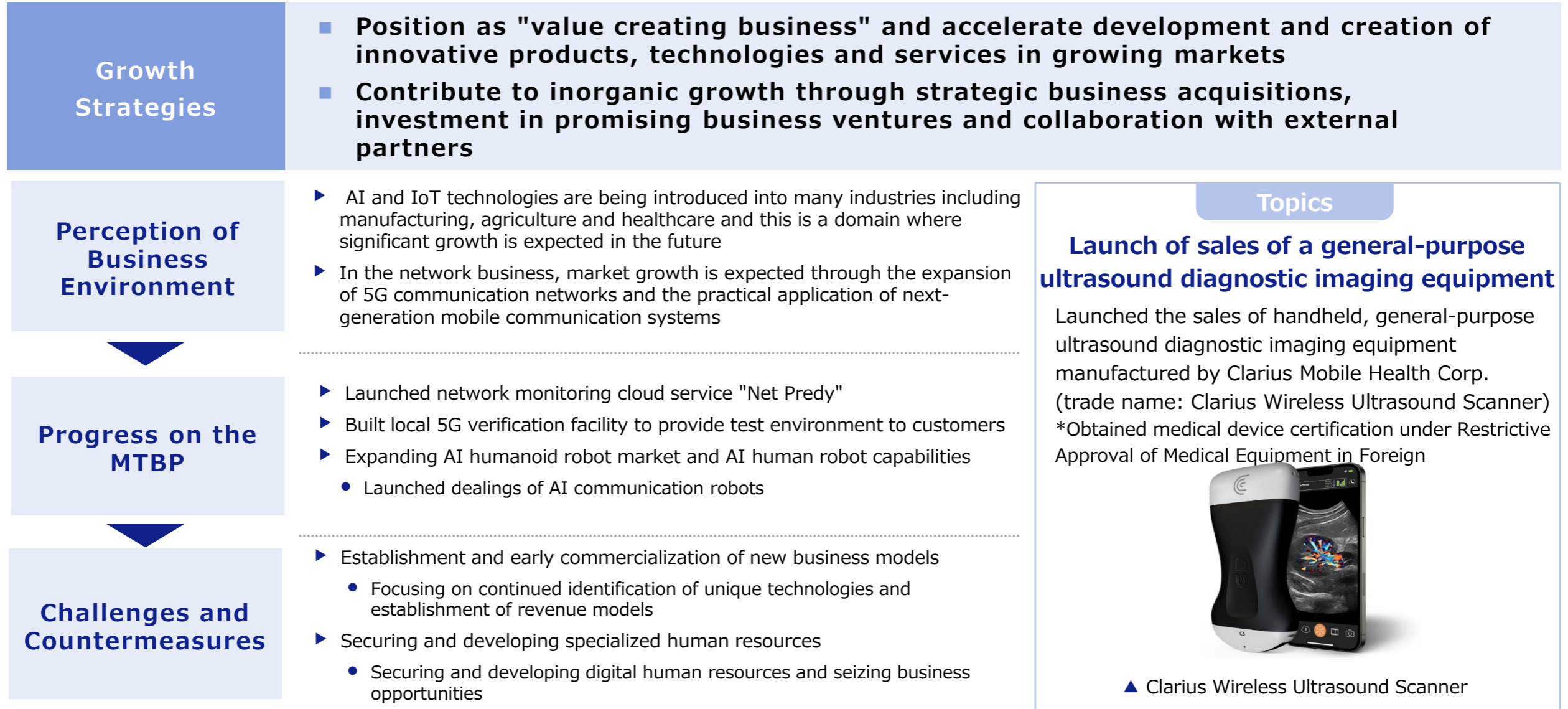
Launched the provision of proposals concerning high-speed laser cladding, a processing technology using Laserline GmbH's laser diodes, for automobile brake discs as a technology to reduce dust. This technology is subject to regulation under Euro 7, and the exhaust gas regulations are scheduled to be in effect in Europe in 2025.



▲ High-speed laser cladding for brake discs

I-(3) Growth Strategies: Initiatives for Electronic Solutions Business

◆ Electronic Solutions Business: Development, sales, and maintenance service business for cutting-edge solutions



II-(1) Basic Financial Policy and Financial Measures: Shareholder Returns

Basic Financial Policy

- ▶ We are to make strategic investments in growth areas and provide consistent / stable shareholder returns, while we aim for sustainable growth of the corporate value.
- ▶ We intend to improve capital efficiency (achievement of ROE target and stabilization of ROE) and will strike a balance between efforts to improve ROE components (profitability, asset turnover and financial leverage) and maintenance of financial stability

Key financial themes (consolidated basis) under current MTBP

- Improvement of cash conversion cycle (CCC) (shortening of turnover period of working capital)
- Continuous strengthening of budget management and expense management (improvement of profit margin, etc. through control of expense ratio, etc.)
- Maintenance of appropriate financial leverage (ensuring certain level of equity ratio, refining asset and liability management (ALM), etc.)
- Well-managed financial risk (FX risk management, foreign currency liquidity management, off-balance sheet financing, de-risking, etc.)

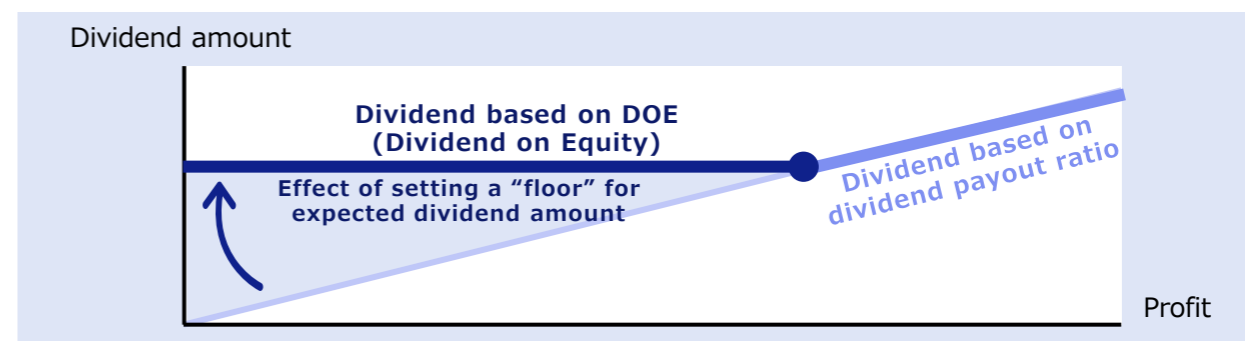
Review of Shareholder Returns

- ▶ To further enhance shareholder returns and pay stable dividends, we introduced DOE (Dividend on Equity) as a new dividend indicator on the fiscal year ending March 31, 2024

Dividend Policy

Our basic policy is to pay continuous and stable dividends aiming for **whichever is higher of either consolidated “dividend payout ratio of 40%” or “DOE of 2.5%”**.

Conceptual diagram of relationship between dividend based on DOE and dividend based on dividend payout ratio



II-(2) Financial Measures: Utilization of Retained Earnings

- ▶ We strive for the efficient and effective allocation of capital resources for sustainable growth in the following four domains, taking into consideration management priorities depending on the situation and we will create a positive cycle of "utilization of retained earnings" and "realization of sustainable growth"

Pursuit of growth investment opportunities

Pursue inorganic/non-linear growth opportunities and become actively involved in expeditious investment projects

- Pursue inorganic growth opportunities and strategic risk-taking opportunities on themes such as digitization, smartification, IoT, AI, robotics, next-generation communications, medicine and healthcare, and seek market expansion and enhancement of commercial rights in existing domains, demonstration of synergies in adjacent business domains, and creation of new promising markets
- Aim to allocate around 5-10% of the net capital to business acquisitions and startup investments over the period of the Medium-Term Business Plan (for 3 years)
Investment results up to 3Q FY2024 :
 - SBI Venture Fund 2023 (Investment Limited Partnership)
 - NUWA Robotics, a robotics startup company in Taiwan
- Aim to realize revenue and return through partnerships and collaborations that help create "win-win" business value both for us and investees

Investment in operational infrastructure

Pursue improvement in operational efficiency and enhancement of management information through investment in IT systems

- Meet supplier and customer requirements meticulously and flexibly and continuously strengthen value chain capabilities
- Enhance quality level of management information in areas such as sales management and management accounting to help improve earning potential and profitability

Investment in human capital

Strengthen competitiveness by expanding human capital investment for human capital development

- Enhance management of human resources and seek to hire, develop and retain specialist professionals
- Transform the organizational culture through the deployment of diversity, work style and wellbeing measures

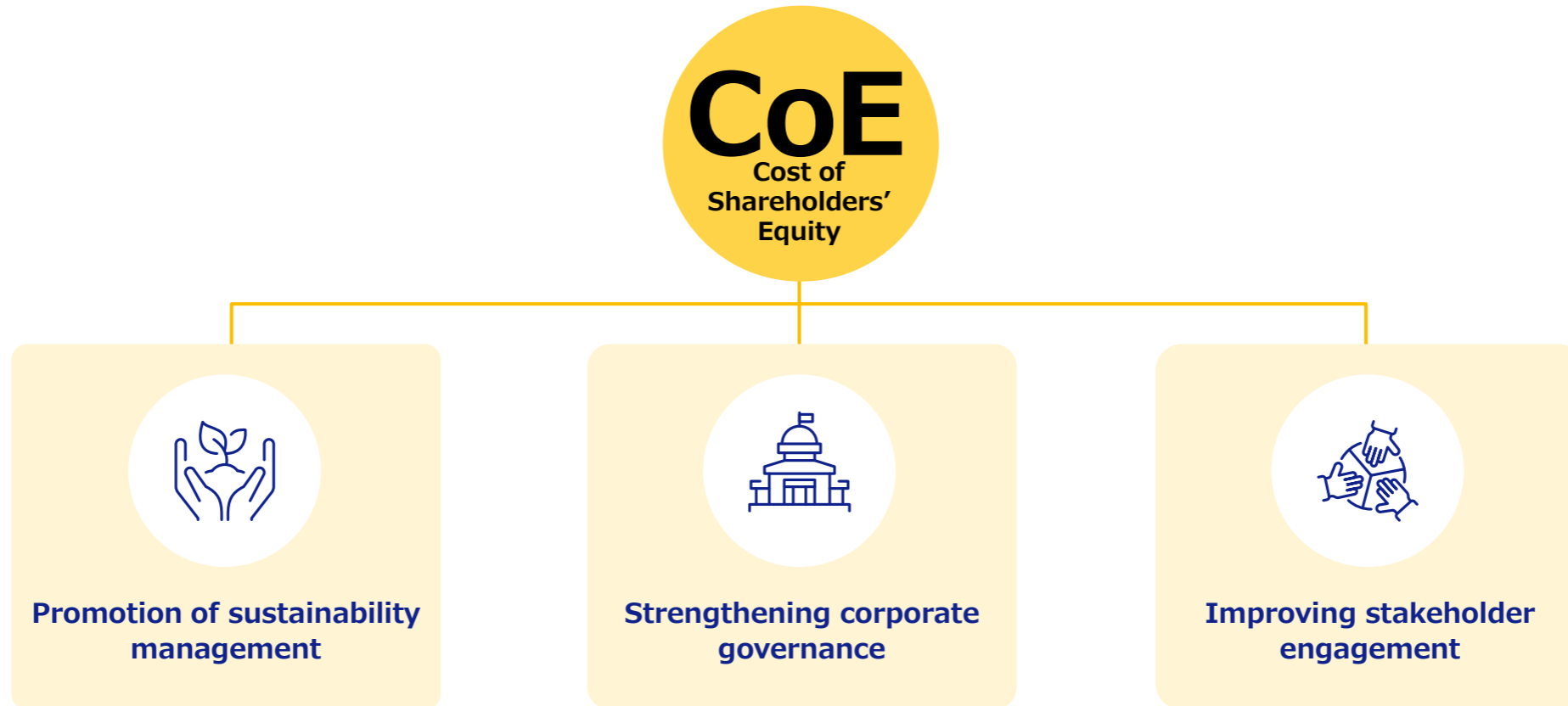
Balance sheet management

Increase management risk tolerance by way of optimizing the scale of balance sheet and maintaining a reasonable level of equity

- Seek to reduce financial risk by focusing on balance sheet management while making investments in the above three measures
- Ensure BCP responsiveness and business continuity in various risk scenarios including a large-scale disaster through adequacy of equity capital (by ensuring spare funding capacity)
- Aim to maintain equity ratio at a certain level (ex. 20-40%)

III-(0) Non-financial Measures





- ▶ We are to implement initiatives in the "three thematic domains for non-financial measures" and translate these into "reduction in expected cost of shareholders' equity"
- ▶ We are to enhance the trustworthiness and appealing values of the Marubun brand, while ensuring management transparency through efforts to further enhance information disclosures to public domain
- ▶ At the same time, we contribute to the "creation of social values" and strive to enhance the understanding of our business among stakeholders in various fields



"Three thematic domains" for reduction of expected CoE

III-(1)① Non-financial Measures: Determination of Material Issues

- ▶ We have identified and disclosed the following material issues. We will promote initiatives to address each issue and respond to them with long-term perspectives, having set a separate long-term status target to ensure that we continue receiving evaluations from our stakeholders.

	Material Issues	Key themes *
 <p>Environment</p>	<p>Contribution to restoration and conservation of the global environment and to its sustainability</p>	<ul style="list-style-type: none"> ■ Promote initiatives for a recirculating society ■ Identify and introduce new clean technologies
 <p>Social</p>	<p>Realization of a safe, prosperous and sustainable society</p>	<ul style="list-style-type: none"> ■ Expand activities to contribute to society and local communities ■ Offer reliable products, services and stable supply chain infrastructure
 <p>Human Capital</p>	<p>Enhancement of human capital strategies in alignment with our Purpose</p>	<ul style="list-style-type: none"> ■ Strengthen programs for talent acquisition and development to constitute a highly professional group of employees ■ Consistently improve employee engagement ■ Encourage the empowerment and promotion of employees that are women
 <p>Governance</p>	<p>Establishment and administration of a solidified group governance framework</p>	<ul style="list-style-type: none"> ■ Continuously improve stakeholder engagement ■ Reinforce the compliance of all Group companies ■ Continuously enhance strategy management and risk management frameworks
 <p>Marubun</p>	<p>Addressing social issues through the development of cutting-edge technologies and solutions</p>	<ul style="list-style-type: none"> ■ Staying ahead of the change in the demand generated by society, introduce products and services with new added value ■ Solve customers' issues by offering solutions as an electronics trading company ■ Initiate innovation through strategic partnerships and collaborations

*This describes the direction of our initiatives to address separate material issues.** For further details (including Key Goal Indicators (KGI)), please visit [our website](#)

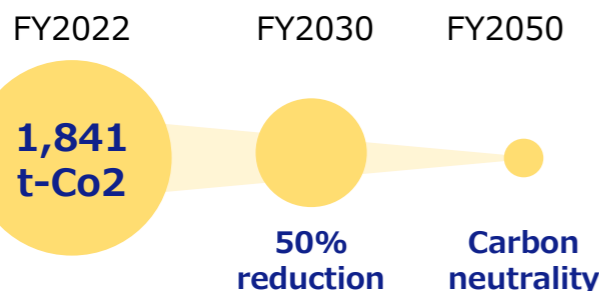
III-(1) ② Non-financial Measures: Various Measures

Approval of the TCFD recommendations and participation in the TCFD consortium

- Joined the TCFD consortium to further enhance information disclosures
- Step up initiatives to tackle climate change and set long-term targets for Scope 1 and Scope 2 emissions
- Calculation of the Scope 3 results



TCFD target (Scope1+2)



Ensuring diversity and strengthening human resources development

- Newly established the Human Capital Committee
 - Set long-term strategies and target values for human capital
 - Discuss the ideal profile of the human resources we are seeking and the ideal composition of the human resources portfolio we aim to develop
 - Examine measures to promote recruitment and human resource development
- Continue employing a diverse workforce by strengthening the recruitment of second-round new graduates and mid-career persons
- Introduce a talent management system
- Promote the creation of a system for voluntary participation through e-learning

Promoting active participation of female employees

- Raised target female management ratio for FY2027
- Continue providing manager candidates with opportunities to learn organizational management
- Hold lectures to encourage the use of the job rotation system and career development
- Introduce a program for working only at specific locations, staggered working hours, etc.
- Introduce a system that allows employees to engage in multiple jobs within the company and choose to have three days off per week

Target female manager ratio in FY2027



III-(2) Non-financial Measures: Strengthening of Corporate Governance

Promoting development of the corporate governance structure

■ Redefinition of Management Philosophy (FY2022)



■ Ensuring the diversity of the Board of Directors

- Appointment of a female director
- Appointment of four Outside Directors (out of a total of nine Directors)

■ Introduction of stock-based compensation plan for Executive Directors

- Program introduced: Restricted stock compensation (RS)
- Eligible persons: Five Executive Directors
- Vesting period: 3 years

■ More in-depth, active discussions based on evaluation of effectiveness of Board of Directors

- Focus on improvement of discussions, in accordance with a shared recognition that more active arguments / discussions should be made to follow up on our longer-term business plan such as MTBP (average 4.6 points out of 5 points)

III-(3) ① Non-financial Measures: Publication of the Integrated Report and a Commemorative Project for Marubun's 180th Anniversary

- ▶ We have published the Marubun Report 2024, the Group's first integrated report, for all stakeholders, including shareholders and investors.



We describe the strengths of our uniquely defined **Value Creation Model and Value Cycle** for our Purpose, "Contribute to a brighter future through technologies".



We feature a wide range of **group-level initiatives**, including business strategies for each business and sustainability, environment, society and human capital related initiatives, as well as CEO and CFO messages.



Please view our [website](#).

▶ Promote advertising activities to commemorate Marubun's 180th anniversary

- Produced the 180th Anniversary Logo Mark, designed with the company name used at the time of its founding
- Opened a special website for the 180th anniversary on our website (click [here](#) for the special website)
- Produced two types of posters to show Marubun's 180-year history and business transformation
- Posted advertisements in economic magazines (approximate circulation of issues: 60,000 copies)

Proven Sustainability



「180th anniversary logo」

III-(3) ② Non-financial Measures: Various Measures

Further strengthening IR, SR and PR activities

■ Enhance information disclosure and endeavor to eliminate/reduce information asymmetry between us and investors

- Release analyst reports by Shared Research Inc. (Japanese and English versions)
- Continue enhancing IR-related materials and websites with a view to disclosing information in both Japanese and English simultaneously



■ Give internal feedback on IR activities

- Give effective feedback for reflection in management measures
- Hold Marubun Town Hall Meetings for all employees with the aim of sharing visions and management policies, etc.



■ Hold proactive investor meetings

- Develop a more active approach to major institutional investors
- Achieve constructive dialogue through IR meetings



■ Strengthen Marubun brand equity by using media relations

- Issue press releases and corporate advertising with a view to raising recognition
- Stress "180th Anniversary Sustainability" for 2024 (as Marubun originally was founded in 1844)



Conclusion Summary: Overview of Initiatives for Sustainable Growth of Marubun Corporate Value

- ▶ By promoting initiatives with "execution of growth strategies," "implementation of financial strategies" and "deployment of non-financial measures" as the value creation process, we seek "stabilization of ROE at 8% or higher" and "widening of the equity spread" and aim to realize sustainable improvement in corporate value and to achieve PBR of 1 or higher as a result.

